

FISCAL NOTE

Bill #: HB 277

Title: Educational trust fund

Primary

Sponsor: Gay Ann Masolo

Status: Second Reading – House Taxation

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002</u>	<u>FY2003</u>
	<u>Difference</u>	<u>Difference</u>
Revenue:		
General Fund (01)	\$4,825,000	\$4,825,000
State Special - Treasure State Endowment	\$(128,466)	\$(385,397)
State Special – Regional Water System	\$(42,822)	\$(128,466)
Trust Funds - Treasure State Endowment	\$(3,618,750)	\$(3,618,750)
Trust Funds - Regional Water System	\$(1,206,250)	\$(1,206,250)
Net Impact on General Fund Balance:	\$4,825,000	\$4,825,000

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

- Each year of the biennium, this bill would divert \$4,825,000 of coal severance tax revenue that is dedicated to the coal tax trust fund to the general fund for K-12 education (\$5,500,000-\$675,000).
- Coal severance tax revenue dedicated to the trust fund is allocated 75% to the Treasure State Endowment Fund and 25% to the Treasure State Endowment Regional Water System Fund. This bill would reduce deposits to the Treasure State Endowment Fund by \$3,618,750 each year of the biennium. It would reduce deposits to the Treasure State Endowment Regional Water System Fund by \$1,206,250 each year of the biennium.
- Coal severance tax is deposited in the trust fund quarterly. This bill would reduce the average balance in the Treasure State Endowment Fund by \$1,809,375 (1/2 of \$3,618,750) in fiscal 2002 and by \$5,428,125 (\$3,618,750 + 1/2 of \$3,618,750) in fiscal 2003. It would reduce the average balance in the Treasure State

(continued)

Endowment Regional Water System Fund by \$603,125 (1/2 of \$1,206,250) in fiscal 2002 and by \$1,809,375 (\$1,206,250 + 1/2 of \$1,206,250) in fiscal 2003.

4. The annual rate of return on the coal tax trust fund will be 7.1% through the biennium.
5. This bill would reduce interest earnings for the Treasure State Endowment program by \$128,466 in fiscal 2002 (7.1% x \$1,809,375) and by \$385,397 in fiscal 20003 (7.1% x \$5,428,125). It would reduce interest earnings for the regional water system program by \$42,822 in fiscal 2002 (7.1% of \$603,125) and by \$128,466 in fiscal 2003 (7.1% of \$1,089,375)
6. This bill would not have significant administrative impacts on the Department of Revenue.

FISCAL IMPACT:

	FY2002 <u>Difference</u>	FY2003 <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$4,825,000	\$4,825,000
State Special - Treasure State Endowment	\$(128,466)	\$(385,397)
State Special – Regional Water System	\$(42,822)	\$(128,466)
Trust Funds - Treasure State Endowment	\$(3,618,750)	\$(3,618,750)
Trust Funds - Regional Water System	\$(1,206,250)	\$(1,206,250)

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	\$4,825,000	\$4,825,000
State Special - Treasure State Endowment	\$(128,466)	\$(385,397)
State Special – Regional Water System	\$(42,822)	\$(128,466)
Trust Funds - Treasure State Endowment	\$(3,618,750)	\$(3,618,750)
Trust Funds - Regional Water System	\$(1,206,250)	\$(1,206,250)

LONG-RANGE IMPACTS:

This bill would permanently reduce the balance in the Treasure State Endowment Fund by \$7,237,500. It would permanently reduce the balance in the Treasure State Endowment Regional Water System Fund by \$2,412,500. This bill would reduce interest payments to the Treasure State Endowment program by \$513,863 (7.1% x \$7,237,500) each fiscal year in perpetuity. It would reduce interest payments to the regional water system program by \$171,288 (7.1% x \$2,412,500) each fiscal year in perpetuity.

TECHNICAL NOTES:

1. HB 277 dedicates the monies that are transferred to K-12 education however HB 277 does not contain an appropriation for K-12 education nor does HB 277 increase the basic or per-ANB entitlements for schools.